

National Milk Records plc
(“NMR”, the “Company”, or, together with its subsidiaries, the “Group”)

QUARTERLY UPDATE FOR THE THREE MONTHS ENDED 31 MARCH 2020

HIGHLIGHTS

- Turnover for the quarter of GBP 5.61 million (March 2019: GBP 5.56 million) an increase of 1.0%
- Revenues for testing of Johne's disease increased by GBP 62,000 or 7.0% when compared to the same quarter in the previous financial year.
- Similarly, revenues for testing for other diseases other than BVD increased by 75.0%
- Revenues in core services such as milk recording, payment testing and BVD testing declined marginally as the business recovered from the RYUK cyber-attack in the previous quarter

Andy Warne, Managing Director, commented:

"I am pleased to announce this positive quarterly update in the midst of a very traumatic period for both the UK dairy sector and society generally. Meaningful analysis of our trading position in this snapshot in time is difficult because during this quarter NMR was both recovering from the RYUK cyber-attack and beginning to feel the effects of Covid-19. However, the results do show that even under significant external influences our ability to deliver services essential to the food production sector are robust. It is only a matter of weeks ago that the biggest topic of conversation was Brexit. Despite recent misleading media reports, our view of the UK dairy sector remains positive. The closure of various service-sector milk channels (coffee outlets and restaurants) resulted in c.0.6% of one week's worth of milk supply being tipped away over 2 days, however we have already seen a re-balancing of the supply chain and we believe the UK dairy sector and food supply sector generally are positively positioned for both the medium term uncertainty and in the coming years. As society reviews its priorities following Covid-19 we believe food security and food provenance will become even higher on the public's agenda.

"I want to thank all the staff who work at NMR who have maintained our operational readiness throughout the Covid-19 lockdown such that NMR has maintained an overall position of being open for business to ensure our service levels with key customers are maintained."

TRADING UPDATE

Turnover for the third quarter was GBP 5.61 million, GBP 54,000 above the same period last year, an increase of 1.0%. As expected, this relatively flat performance reflects the fact that NMR's core revenue was still recovering from the RYUK cyber-attack in the second quarter of this financial year. It is reassuring to see that growth projects such as Johne's testing continued to show year on year improvement.

NMR is a stronger and more versatile business following the RYUK cyber-attack in the previous quarter. This has enabled the response to the Covid-19 lockdown to be proactive in the final days of this reporting

quarter. Payment and disease testing operations have continued largely as normal and c.20% of recording customers have switched to a “Do it Yourself” (“DIY”) service option where social distancing was difficult to implement on-farm during the sampling process, reflecting the essential nature of the milk recording service. NMR expects a proportion of these customers to switch back to a full recording service once lockdown measures are eased.

In each of NMR’s customer sales channels, whether farmers, processors or third parties such as retailers, cash flow is following normal business practice.

KEY PROJECTS

The largest project for 2020 is the implementation of Microsoft Dynamics 365. The scope of this project covers systems for finance and customer engagement, including reporting against the customer prospects pipeline and financial analysis across customer and product / service groupings. As well as replacing existing outdated systems, we expect the benefits to the business in terms of flexibility, efficiency and analysis to be significant. The project remains on track for Phase 1 implementation by the end of 2020.

On 20th February 2020 NMR signed an agreement with Seenergi, a French company specialising in dairy farm consulting, for the exclusive rights to the patent and know-how for use of “Genocells” technology in the UK. The technology provides access to DNA results of individual animals from a sample of milk from the bulk tank of the whole farm, so providing milk-recording information without the need for on-farm sampling. With a commercialisation strategy and development plan underway, NMR considers that the Genocells offering could become one of the most significant developments in the milk recording sector for 25 years. The agreement gives NMR exclusive access to the patent in the UK for at least the next 10 years. It is anticipated this service will be commercially available by the end of 2020.

In addition, NMR continues to invest in other new equipment and technology in its laboratories.

OUTLOOK

Following the outbreak of Covid-19 any outlook must be caveated with a degree of uncertainty however the supply of staples such as dairy products remains a predictable and robust market sector. There is short term pressure on the UK dairy sector as we anticipate the food service sector will remain disrupted for the remainder of 2020. The impact of Brexit was an uncertainty prior to Covid-19 but our forecast remains that this will be mildly positive for NMR in the medium term.

It remains our advice to investors that we cannot give any specific guidance on the financial impact of Covid-19 for the fourth quarter due to the dynamic nature of the situation and its potential impact on both revenue streams and resource availability.

Management remain positive about the long term robustness of the business and opportunities for future growth.

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This announcement is available on the NMR website at www.nmr.co.uk

This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014.

The Directors of the Company are responsible for the contents of this announcement.

About NMR

NMR is the leading supplier of management information to the UK dairy supply chain. Through a team of self-employed milk-recorders, it collects and tests milk samples for approximately 50% of the UK's two million cows. In addition, its laboratories provide payment testing and disease testing services for Britain's milk processors. NMR has a joint-venture laboratory in the Republic of Ireland providing similar services to farmers and processors across the whole of Ireland. Another division of the Group is a livestock traceability business, Nordic Star, which services the UK dairy and beef sectors.

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